

January 13, 2004

**TO: TRANSIT AGENCIES AND CERTIFIED PUBLIC ACCOUNTANTS
PERFORMING PUBLIC TRANSPORTATION AUDITS**

SUBJECT: FY 2004 and FY 2003 Audit Information for December 31st Year-Ends

The Audit Guide dated April 1991 is the compliance program when auditing State and Section 5311 Operating Assistance funds. This letter is updated yearly and supplements the Audit Guide with annual percentages and other necessary information.

I. Information Necessary to Calculate State Operating Assistance

A. Reimbursement Amount:

There is a fixed amount of state operating funds available and the distribution percentage changes based on the statewide eligible expenses. The reimbursements are calculated based on budgeted eligible operating expenses and will be recalculated after total eligible operating expenses are determined based on the preliminary reconciliation and the audited close out.

Based on the FY 2004 and FY 2003 budgeted distributions, nonurbanized areas and urbanized areas under 100,000 population received the following percentage of their eligible operating expenses:

| | |
|----------|--------------------------------------|
| FY 2004: | 42.236619648 percent based on budget |
| FY 2003: | 43.800078503 percent based on budget |

Urbanized areas over 100,000 population received the following percentage of their eligible operating expenses:

| | |
|----------|--------------------------------------|
| FY 2004: | 35.208599129 percent based on budget |
| FY 2003: | 36.699468862 percent based on budget |

B. Statutory Cap:

Nonurbanized areas and urbanized areas under 100,000 population can receive up to 60 percent of eligible operating expenses. Urbanized areas over 100,000 population can receive up to 50 percent of eligible operating expenses.

C. Mandatory Floor:

An agency must receive, at a minimum, the amount received for eligible operating expenses in FY 1997, contingent upon the local share requirements set forth in Act 51, as amended.

II. Information Relating to Federal Funding and Reimbursement

A. Each funding source (Section 5307 and Section 5311) needs to be shown separately in the audit.

- B. For Section 5311 operating assistance, the nonurban eligible expense percentage is 10.95 for fiscal year ending September 30, 2004 and September 30, 2003.
- C. The Catalog of Federal Domestic Assistance (CFDA) website is www.cfda.gov. CFDA numbers for federal programs are as follows:
 - 20.505 for Section 5303
 - 20.507 for Section 5307
 - 20.500 for Section 5309
 - 20.513 for Section 5310
 - 20.509 for Section 5311
 - 20.515 for Section 5313
 - 20.516 for Section 3037

III. Information Relating to Association Dues

- A. All expenses associated with lobbying are not eligible and should be backed out under 58005 Ineligible Lobbying Expense.
- B. If a transportation organization incurs lobbying expenses, a percentage of dues paid to that organization are not eligible and should be backed out under 55009 Ineligible Percent of Association Dues. The percentage of association dues ineligible for reimbursement under the State Operating Assistance program and the Section 5311 Operating Assistance program for fiscal year ending September 30, 2003, is as follows:

| <u>Association</u> | <u>FY 2003</u> |
|--------------------|----------------|
| MASSTrans | 0 percent |
| MPTA | 8.1 percent |
| APTA | 17.0 percent |
| CTAA | 2.0 percent |

Ineligible percentage for FY 2004 is not yet available.

IV. Special Points

- A. PTD reviews and approves all cost allocation plan methodologies. To verify that the transit agency has an approved cost allocation plan, visit our website at: <http://www.michigan.gov/mdotptd>. In the "Resources" box, click on "Audit/Accounting Information." Then click on "cost allocation listing." This listing is updated periodically. It is possible that a transit agency's cost allocation plan was approved since the last listing was posted. To determine if a plan was approved since the last update or to get a copy of the approved methodology contact your project manager.
- B. Clearly identify all grants in the financial statements and supplemental information. All grants should have the contract number as well as a descriptive title. If a grant amount is included in total eligible expenses and then must be backed out as ineligible, the grant

should be identified on items such as the revenue schedules, the Schedule of Expenses by Contract and General Operations, and the Ineligible Expense Schedule. Please note that any audit that fails to identify all grants on all of the applicable schedules will not be accepted.

- C. Please use the Local Public Transit Revenue and Expense Manual dated October 1, 2003, through September 30, 2004. This manual can be found at our website at <http://www.michigan.gov/mdotptd>. To access this information, find the "Resources" box and click on "Audit/Accounting Information."
- D. The audit guide can be purchased from the Michigan Department of Treasury. The order form is located at www.michigan.gov/treasury. To access this information, look on the left-hand side of the computer screen and click on "Local Government." Find the "Forms/Instructions" box and click on "click here for: Local Government Forms and Instructions." In the "Account Manual Form" box, click on "2687, Publications Invoice." The audit guide is item number 14 "Transportation Authorities and Agencies" on the order form.

Please contact Trish D'Itri, Auditing Specialist at (517) 335-2535 or by email at ditrit@michigan.gov with questions or if you need website information mailed to you.

Sincerely,

Sharon L Edgar, Administrator
Passenger Transportation Division
Multi-Modal Transportation Services Bureau